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Livestock and Products

Germany to take Advantage of Increasing Demand for Pork in China

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Report Highlights:

Germany and China signed a veterinary agreement that would allow Germany to export pork to China upon completion of the necessary veterinary certificates. The first shipments of German pork to China could occur towards the end of 2008/beginning 2009.

Includes PSD Changes: No
Includes Trade Matrix: No
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Germany and China Sign Veterinary Agreement

At the occasion of a recent trip to China, Dr. Gerd Mueller, Under Secretary in the German Ministry for Food, Agriculture, and Consumer Protection (BMELV), and his Chinese counterpart Wei signed a veterinary agreement (VEA) that will allow Germany to resume pork exports to China in the future. China had imposed import restriction for German pork several years ago in reaction to outbreaks of Classical Swine Fever (CSF) in commercial farms in Germany. China still has to approve the newly developed model certificates. For the development of a list of approved plants, Chinese veterinarian will inspect German slaughter houses and meat processors. Industry sources estimate that the first exports could start towards the end of 2008 or spring 2009.

Increasing Demand for Pork Major Motivation in the Chinese Side

In addition to the VEA, BMELV signed cooperation agreements for 54 research and capacity building projects. However, BMELV considers the growing demand for pork to be the strongest motivation for China to open its market for German pork. According to a recent publication by the German Market and Price Reporting Agency (ZMP), Chinese domestic pork production suffered from the PRRS disease, the strong winter of 2007/08, and the earthquake in Sichuan. Meat prices are said to have increased by 50 percent. Seventy percent of the Chinese meat consumption consists of pork. The need to limit further price increases is believed to increase China's willingness to open its markets. One other source speculated that China also strives to diversify its suppliers in order to increase import competition. ZMP expects Chinese pork consumption to grow by 3 to 4 % annually. As a result, consumption will increase to 62 million MT by 2017 from the current 50 million MT.

German Internal Considerations

On the German side this agreement was important for political reasons as it allows the German government to demonstrate that it is actively working to support the domestic hog sector by reducing barriers for export. The German market situation for hogs/pork was difficult in 2007. Average hog prices in Germany declined by 10 percent in 2007 compared to 2006, while feed prices increased by 38 percent in the same period. Since summer 2008 the situation is gradually improving as feed prices decline as a result of the higher grain harvest. However, energy prices still pose a major concern to hog farmers. Given the fact that there are general elections in 2009, the German government has a strong interest in expanding the export market for German pork and side products that are difficult to sell on the domestic market such as offals, claws, heads, and cartilage.

Recent Trade

Despite current trade restrictions, German customs data indicate that Germany is shipping some pork to China. These shipments could potentially consist of imported meat from CSF free regions such as Denmark.

Table: German Exports of Fresh and Frozen Pork (in MT)

	1999	2002	2005	2006	2007	2008 (Jan-Jun)
China	8,607	5,499	1,351	187	152	72
Hong Kong	1,342	2,171	5,378	6,970	11,213	12,518
Extra EU-27	139,504	55,190	50,665	79,212	79,846	66,659
Intra EU-27	314,301	483,290	782,685	820,970	974,154	555,522
Total Exports	454,119	538,496	833,357	900,182	1,054,005	622,180

Source: German Customs Data